

## REPORT

FROM

### THE SECRETARY OF THE TREASURY,

*In further compliance with a resolution of the Senate, relative to Deposites, and Transfers of Moneys derived from the Public Lands from the West to the Eastern cities.*

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MAY 4, 1836.

MAY 5, 1836.—Ordered to be printed, and that 1000 extra copies be sent to the Senate.

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TREASURY DEPARTMENT,

May 3, 1836.

SIR: In compliance with a resolution passed by the Senate on the 18th ultimo, relating to the kind of money receivable for the public lands, and the subject of transfers of the public deposits from certain Western States to the Eastern cities, I had the honor, a few days since, to present a report on the first branch of the inquiry, and now proceed to submit answers to the remaining part of the resolution.

1. The question next in order is, "What amount of moneys of the United States, received for public lands, in the States of Ohio, Indiana, Illinois, and Missouri, and the Michigan Territory, has been, in pursuance of his instructions, transferred to banks in the Eastern cities, since the 30th of June, 1835?"

From the manner of keeping accounts in banks, and making transfers, it is difficult, without great delay and labor, to answer this inquiry with precision, so far as regards the source from which all the money transferred was derived—whether from the sale of public lands, customs, or incidental receipts—but probably it is in my power to present facts and statements in relation to it, which may be satisfactory to the Senate, and which are the most accurate now in the possession of this Department. So, in respect to the places to which the transfers have been made, some question may arise as to what is meant by the expression of "Eastern cities," and I shall, to avoid all doubt, give the whole transfers from the Western States mentioned to any places east of the Alleghany mountains and north of the Potomac, though, in the end, it will appear that most, if not all of them, have been to cities in the Middle States, and not those east or northeast of the Hudson river. All the transfers of public money, from the 30th June, 1835, to the 23d April, 1836, derived from every source, and made from the Western States specified, to any cities east of the Alleghany mountains, have been as

follows: From Ohio, deducting the amount sent there within the period named, by previous transfers from Indiana and the agency in Missouri, only \$45,000; (there having been transferred to Ohio \$1,570,000, and from there but \$1,615,000.) From Indiana, except those to the Commercial Bank of Cincinnati and its agency at St. Louis, and thence to Eastern cities, \$00. From Illinois, except the deposits from that State made in St. Louis, Indiana, and Michigan, and included in theirs, \$00. From Missouri, except through the agency of the Commercial Bank at Cincinnati, \$00.

But, from Illinois, Missouri, and Indiana, through deposits in the agency of the Commercial Bank, and transfers thence directly to the Eastern cities, \$200,000; and circuitously from those three States to Ohio, and thence East, about \$1,015,000 more, (viz: in all, from Indiana, about \$470,000; from Missouri about \$500,000; and from Illinois about \$845,000.)

From Michigan, of all deposited there, from all quarters, the sum of \$2,050,000.

These sums, amounting to \$3,865,000, constitute the aggregate of all the transfers from all the Western and Northwestern States and the Territory named in the resolution, to any part of the East, whether consisting of money received there for lands, customs, debts due, miscellaneous sources, or money which had, before the 30th June, 1835, been transferred from Eastern cities to the West and Northwest, for public expenditure, but was still remaining on hand.

There having been, in April, 1835, no deposit bank in Missouri or Illinois, except the branch of the United States Bank at St. Louis, and a public depository being needed for those States, on account of their large collections, and the considerable disbursements in Missouri, and no State bank being then known to be in operation in either of those States, the Commercial Bank of Cincinnati agreed with the Department to establish an agency at St. Louis, for the fiscal accommodation of the Treasury in Missouri and Illinois, and for which agency that bank was to become, in all respects, accountable. Through that agency, and its principal, the Commercial Bank of Cincinnati, most of the receipts, payments, and transfers for those two States have since been conducted with promptitude, facility, and economy.

The whole amount of public money thus transferred from the deposit banks, and that agency, in all the States and the Territory specified in the resolution, are therefore known, and have been exhibited, as reported to me from the Treasurer's books, it is believed, with accuracy. But the precise portion of them which was taken from or should be charged to the receipts from public lands alone, since June 30, 1835, cannot be computed with entire certainty, and is in some degree a matter of opinion. Some of these moneys, though a very small part, had been collected for duties on the Western and Northwestern waters; other portions of them had been paid into the banks in those States for old debts, due to the United States on various accounts; and another portion had been placed there by transfers from the Eastern cities, for expenditure in the West, previous to the unprecedented sales of public lands there during the last six or eight months. Those sales have rendered unnecessary, of late, any further transfers, with few exceptions, from the East to any points in

the West, and required and enabled the Department to return to the Eastern cities, by transfers, slowly and conveniently, and on the principles hereafter explained, some of the money which had before been transferred from those very cities to the West; and other money, which was needed in the East, either for greater security, or for expenditure, or for convenient transmission elsewhere.

The probability therefore is, that, from June, 1835, to the 23d of April, 1836, the whole amount of transfers of money collected for sales of land alone, and made from Ohio to the east of the Alleghany mountains, deducting the amount brought there by transfers from elsewhere, has been little or nothing; as the amount of transfers thence of money received from all sources, and beyond what has been transferred to Ohio during the same period, was only \$45,000. This equals about  $\frac{1}{25}$  part of the amount which, during that period, has been received from the sales of land in Ohio, and still leaves in that State over one million of dollars of public deposits, and in her banks, including the agency, about two and a half millions of dollars of those deposits.

From Indiana, by computation on similar data, the transfers derived from lands alone, and made through any of the Western States named, to the whole East, are considered to have been about \$170,000, leaving there still about one million and a third of dollars in deposite. From Missouri, calculating in a like manner, about \$180,000 has been thus transferred, leaving at St. Louis about \$400,000 of deposits from sales within her limits. From Illinois, in the same way, the transfers are estimated at about 800,000, and the sum left at the agency for Illinois, at over one million of dollars; and from Michigan they are estimated at two millions of dollars, and the sum left there at almost a million and a half.

If the computations were made to the 1st of April, to which the returns of money on hand are complete, and have been before submitted to the Senate, the transfers from Michigan being then \$350,000 less, the sums of public money left there would be proportionably greater, and those sums left in the agency of the Ohio bank at St. Louis, would be near half a million greater.

The above conclusions as to each of the above States being partly inferences from other data, without the possibility, as before explained, of attaining entire accuracy on this point, I have given, in the first place, all the transfers, from every source, from those States and Michigan, to all the cities east of the Alleghanies, as obtained from the Treasurer's accounts, between the 30th of June, 1835, and the 23d of April, 1836, and all the sums left in each, at the returns made to the 18th of the same month, with a few other facts in explanation which appeared pertinent. This will enable other persons to make their own computations of the correct amounts coming within the scope of this branch of the inquiry.

It is deemed proper, however, to apprise the Senate that some other transfers to other quarters and States of the Union have been made within the above period from some of the above States, but not being named in the resolution, a detail of them is not supposed to be desirable.

To prevent any misapprehension, it may be necessary to explain, further, that some of the money transferred from place to place within the Western States specified, as well as other sums transferred, in the first instance, to other places and States not specified, have been in part expended at the places to which they were first transferred; that other

parts remain at those places in deposit, and still other parts have been transferred again to Eastern, Southern, or Southwestern cities, as the public interests appeared to require, and the fiscal powers of the Treasury to justify. But these transfers, made from the above States and Territory in the West, to States or cities not named in the inquiry, and thence afterwards sent in part to the East, are not supposed to be included in the resolution, though, if deemed material to know their amount, it is computed that the portions of such transfers which afterwards reached the Eastern cities, have not exceeded \$120,000, and that all of those originated from Indiana, and were first sent to Kentucky.

Some of the reasons for these transfers will now be explained, so far as is necessary to guard against misapprehension, and to enable the Senate to understand their true character and object, with the general principles which have governed the Department in making them.

The necessity of large yearly transfers, under our financial system, from and to different sections of our wide-spread territory and population, could scarcely have been a subject of doubt since the constitution went into operation. "The public moneys (as Mr. Gallatin observed in 1811) are daily transferred by drafts from place to place, as the occasion may require." The chief receipts being from duties on imports and the sales of public lands; and the former being mostly on the seaboard, at the great marts of foreign trade, in some of the old States, and the latter in the interior, at the land offices in some of the new States, the accumulations from either source must, of course, be transferred to other places where needed, either for expenditure or safety, whether east or west, north or south. One great reason for the use of banks as fiscal agents has been the economy, speed, and facility, of effecting these transfers through them, by means of their correspondents and business at a distance, rather than through individuals, and through an expensive transportation of specie from the points where collected, to those near which the creditors and officers to be paid may severally reside; or, as in some countries, by carrying the money, at great cost and delay, chiefly to the seat of Government, and requiring all public creditors and officers, with much inconvenience and loss, to apply there for it.

The superior ability of a national bank to effect these transfers, conceded to be so indispensable, in order to save the risk, trouble, and expense attending the different systems above indicated, was always urged very strongly in favor of chartering such an institution.

But, as shown in the supplemental report from this Department to Congress, in December, 1834, the difficulty in making these transfers in ordinary times is of late much less than formerly, or than has generally been supposed. It is also a difficulty which, by improvements in mails and intercourse, as well as exchanges, can be and has been promptly overcome by the State institutions; and the whole extent of these transfers, though large to neighboring States, has not, during the three years preceding the late unusual accumulation of money in the Treasury, at a few remote points, been so large or necessary, to any great distance, as was before apprehended by many, to be customary and indispensable. But, in ordinary times, in Vermont, New Hampshire, Connecticut, Virginia, Delaware, North Carolina, Tennessee, and Kentucky, a very small portion only of what is expended, is actually collected within their



limits. Of course, most of the public expenditures in these States, and a large portion of them in half of all the States, must be met by transfers from other places, generally near, but sometimes remote, where a surplus happens to be collected, and from which it can be most conveniently removed. From 1820 to 1833, it is believed that the average amount of public money, annually transferred by the Bank of the United States, was from ten to fifteen millions of dollars; and in 1832 over sixteen millions; in the year preceding June 30, 1831, it was twelve millions; and in half of 1829 about seven millions. The greater distance or amount of some of these transfers creates no embarrassment under the present system of banks, and the financial usages long in existence, if the occasion for them is for some months foreseen, or seasonably anticipated, and particularly if the course of trade happens to favor the operation. Indeed, in many cases, transfers thus made have been and can be effected, not only without any loss to the banks making them, but sometimes, as explained in the supplemental report before named, with a profit to those receiving them, provided the balance of domestic trade be not in their favor.

The transfers being accomplished, chiefly by bills of exchange and drafts, in a form and character familiarly understood now by many persons, and which it might be tedious as well as unnecessary to explain in detail, (and not usually by the drain or transportation of specie,) neither the community nor the currency can ordinarily suffer by such transfers, though either may sometimes suffer by the state of things, of which these transfers occasionally furnish some evidence. Thus, when a particular State or section of country has overtraded, and has, therefore, caused the balance of trade to be against it, this excess of debt, when due at a distance, it may distress those who have incurred the same, to discharge, either by money or produce. But the inconvenience then arises from the excess of debt and overtrading, and not from the mere transfer of public money in the Treasury from any one point to another. And if this last operation, after a notice of sixty or ninety days, and often longer, both now and under the United States Bank, could at all incommode debtors or banks, it would furnish another evidence of their excessive indebtedness to the other quarters of the country, and the more imminent danger of leaving there, a long time, large portions of the public money, which were not likely to be required there for any fiscal purpose.

The transfers before mentioned, from Ohio, Michigan, &c. to the Eastern cities, have, after seasonable notice, been made promptly, and it is understood, with little inconvenience to the deposit banks, most of them having been extensive dealers in domestic exchanges. This circumstance has enabled them, beside making those transfers, to furnish a large supply of their own checks or drafts on the different sections of the country for the accommodation of the community. The latest returns to the Department from those banks, in all quarters, show that the domestic exchanges generally were never conducted with more regularity, or at a cheaper rate, than at present.

However much credit was claimed or due formerly to the United States Bank, for making such transfers without any charge to the Treasury, when they amounted to ten or fifteen millions of dollars a year, it is a fact highly creditable to the deposit banks, that, within about the ten months

past, named in the resolution, they have transferred, without a single dollar's expense to the Treasury, and wholly at their own risk, over seventeen millions of the public money. *Spécie* has seldom, if ever, been found necessary during the present year, in accomplishing these transfers when distant, though so unprecedentedly large in amount. It may be incidentally remarked, that this last circumstance furnishes a pretty strong indication from what quarter of the Union most of these surplus funds emanated, which have recently, to so extraordinary an extent, been paid into the Western and Southwestern land offices.

From the vast investments by individuals in the public domain in the last nine months, equalling more than 16 millions of dollars, or as much as would, in the usual course of things, have been paid into the Treasury in the West and Southwest, from that source, in five or six years, it became at once obvious to every person who took the trouble fully to examine the subject, that this extraordinary amount of public money, in addition to what was in the West and Southwest, before June, 1835, could not be wanted there for expenditure, under existing appropriations. The amount of those appropriations was well known, and had been provided for, with the exception of what would be ordinarily paid there in the course of the next year, or about three or four millions more.

Hence, this excess of about thirteen millions, without reference to the sections of the country whence the capital really came to be invested in the public lands, or how much greater an excess would continue to accrue hereafter, was, in part, to be gradually and seasonably transferred to other appropriate situations. First, because the only mode heretofore or now existing to prevent needless and dangerous accumulations at particular points, and consequent risk, inconvenience, and loss, is by transfers, or large payments; and the usual payments, in a part of the West, as in Ohio, Indiana, or Illinois, are small—and not large in Missouri and Michigan, compared with the collections in those States during the last nine months. Secondly, such transfers, to the extent found necessary, should be commenced seasonably, in order to prevent disappointments in public creditors elsewhere, or in Congress, who would reasonably expect proper portions of the public money to be placed where it may probably be needed before long for public purposes. Thirdly, if augmenting in sums beyond what might ordinarily be soon needed any where, it should of course be presumed by Congress that a due portion of it would be transferred to situations where its safety would be as great or greater, and where it could be most readily and advantageously used by the Government to discharge any extraordinary appropriations likely to be made, and necessary to be met, at any near or remote point of the Union. And, fourthly, if all the surplus would not probably be appropriated in any mode, a fair proportion of the excess should be transferred to places where, for want of other legitimate use, it could most easily and profitably be invested or loaned for the public benefit, in any way Congress might be pleased to direct, or be distributed with most ease, on any principle, if any exist, recognised by the constitution, and which may be approved by the proper authorities.

It could hardly be deemed the fault of Congress or this Department, at any period since 1789, that New York and Philadelphia, Boston and Baltimore, Charleston and New Orleans, are better ports for foreign trade, and have much more revenue collected at them, than is collected

at Newbern, in North Carolina, or Cincinnati, Ohio, or Burlington, Vermont; or that the public lands exist, are sold, and the proceeds from them sometimes accumulate in Michigan, Mississippi, Alabama, or Missouri, rather than in Kentucky, New Jersey, or Connecticut.

But, when the public moneys do, in either way, greatly increase beyond the fiscal wants of the neighborhood where they are paid into the Treasury, or beyond what is safe, it would be the fault of this Department if transfers were not seasonably made of a due portion of them to other places where they are likely to be needed for public purposes, or can be made more secure and convenient for public use. It is, however, deserving special notice that, since the 30th of June, 1835, to the 23d of April, 1836, the whole transfers in the Union have equalled near 18 millions. Yet, as before shown, from the places and States mentioned in the resolution, there have been, during that period, transferred to the East, only \$3,865,000, and that this is over a million less than, during the same period, has been transferred from a single city in the East; and that this small amount of \$3,865,000, has been transferred from banks and States where the excesses had become unprecedentedly great, and to banks and States where there is still a deficiency for all probably just and useful fiscal objects during the current year.

To present some further details, suitable to impart a correct understanding of this subject, it appears, from the Treasurer's accounts, that an amount of public money has still been left in those States, whether together or separate, which, so far from seeming to be an inadequate proportion of what is kept elsewhere, was, on the 18th of April, (and still more on the 1st of April, as may be seen by the returns heretofore submitted to the Senate,) in Michigan alone, exceeding twice, and almost three times the amount, in the whole of seven of the Eastern States, viz: Maine, New Hampshire, Vermont, Rhode Island, Connecticut, New Jersey, and Delaware, united.

In the Ohio banks and the agency of one of them, there remained, at the same date, to the credit of the Treasurer, five times, and within the limits of Ohio alone, double the amount in all those Eastern States.

In Indiana there still remained from twice to three times that amount, and in the chief depository for Missouri and Illinois, a sum equally disproportionate.

For further illustration, by way of comparison between the different quarters of the country named in the resolution, there was then in a single Eastern State, New Hampshire, for instance, deposited by the Treasury only one-twentieth as much as in the Ohio banks and the agency of one of them, though the population of New Hampshire is probably one-fifth as great, and the expenditures there for a fort, navy yard, and otherwise, are usually near one-third as great. Maine has likewise little in comparison either with the State of Ohio or with its banks, or with some of the other Western States just named. Vermont has still less, as well as several other of the Eastern States embraced in the resolution, and the particulars of which need not be detailed. In fine, the only State east of the Hudson river which at all compares, as to the public deposits in her banks, with Ohio, is Massachusetts; and the circumstance of their approaching nearer, arises chiefly from fiscal considerations and from the central position of Massachusetts; her large seaport,

the safety of her banks, and the convenience of supplying thence the wants in other neighboring States, by means of secondary transfers and warrants.

In connexion with this branch of the subject, it is another striking fact that, in only those Western States and the Territory named in the resolution, there is now left about four and a half millions more public money than was there in June 30, 1835, and much more than has probably ever been left there under the operations of the Bank of the United States, or at any other period whatever. At the same time there has been largely transferred and deposited in the same neighborhood, in Kentucky and Tennessee, for safe keeping and disbursement, from the sales of lands in the West and Southwest, near half a million to each, though not a dollar of it was collected in either of those States, while four out of the New England States, with Illinois, Delaware, and New Jersey united, have not altogether so much public money as either Tennessee or Kentucky alone. It is proper, however, to explain, that Illinois, Delaware, and New Jersey, are without any public deposits within their limits, by transfer or otherwise, except by disbursing agents for paying pensions; as no selected banks for any other purpose have ever been needed there, except in Illinois, and the only application in that State by any bank has, for satisfactory reasons, been suspended, on request of the bank itself. In the mean time St. Louis is a near and convenient place, and the only one, while the United States Bank was in operation, whence the small public expenditures for Illinois were usually paid, as Philadelphia is and has been for most of Delaware, and New York for most of New Jersey. In making the above arrangements as to transfers, it seems proper to add that there has been left, in all the deposit banks of the States of Ohio, Indiana, and Michigan, a gross sum, about twice exceeding their own capital, (deducting the branches not used in Indiana,) and in some of them from 400 to 500 per cent. beyond their whole capital. This will, by most discreet persons, be probably considered quite enough, and, by many, too much, for any considerable length of time, if we look either to its expected use there for public purposes, or to the probable safety of the fiscal agents employed, of the Treasury, or of the currency. It is believed, however, that the deposit banks there are perfectly secure, to the extent and for the period they have been confided in, notwithstanding their experience and skill may be somewhat less in conducting such institutions than those of the older cities on the seaboard, and notwithstanding, from the more permanent character of their loans, they are not always likely to be able to meet any large demands on them for public money, and especially a great surplus, with so much promptitude as the banks on the seaboard, whose discounts are for shorter periods, and whose private deposits to aid them are large.

Considering the losses which have formerly been sustained by the Government, and the still greater embarrassments caused through the failure of several Western banks, from excessive issues, speculation, and other causes, the Department has deemed it a paramount duty to be very vigilant and guarded in now securing, as completely as possible, until Congress shall provide fully for its use or investment, the tempting abundance of money which is at present accumulated in the Treasury, from the double causes of reduced expenditure, and great premature

sales of the public domains, as well as from the unusual postponement of the ordinary appropriations. But, in performing this invidious and thankless duty of transfers, an amount of public money has still been left in the whole West, which is supposed to be sufficient to defray, not only all the ordinary expenditures in these States, for a whole year to come, but, with the accruing and anticipated receipts from lands for 1836, according to present appearance, to leave an excess there of many millions beyond the ordinary expenditures. It has been found by experience, that, for common fiscal purposes, only a small amount is wanted in Illinois or Indiana; less in Kentucky or Tennessee; and little in Ohio, in proportion to some States, except at Cincinnati, where it is convenient at times to have a considerable amount for transfers and payments to other States near. The chief payments made by the Treasury in money, in those States, besides the valuable grants of land to them, are for pensions, and in some of them, for the Cumberland road, improvement of rivers and harbors, and the three per cent. fund, greatly enlarged, however, by the recent extraordinary amount of sales. It further appears that, since June 30, 1835, the public money has been allowed to remain in those Western States, so as to be, after deducting all transfers, over four times as much as it then was; while, in the States to which the transfers in question have been made, it has increased, even with these added, but little over three-fold. The small surplus amount sent to the East has been transferred, also, to a quarter where the receipts of revenue beyond what is usual have not been much increased during the past year, where those receipts, as well as the transfers, will all probably be wanted for expenditure, if Congress pass the anticipated appropriations; and where it is deposited in banks of large capital, less circulation, and more specie, to ensure safety to the Treasury, till the money is wanted for any public use there or elsewhere. The sums of public money now in those banks to which the transfers in question have been made, are only as sixteen to eleven of their capital, instead of being, as before remarked, in the West, twice as much as their capital, excluding the branches not employed in Indiana. Including the capital of those branches the proportions would be near alike. It is likewise placed in institutions where, in addition to this, the best collateral security has been given for its prompt repayment, and whence, at any moment, and to almost any point in the Union, it can be transferred with ease and rapidity, whether to meet any emergency of war, foreign or domestic, any extraordinary appropriation for fortifications or the navy, or any large investment or distribution which Congress may constitutionally devise and direct. Something like a sufficient portion of the public money is thus placed at and near the great centre of moneyed transfers and exchanges, the real heart of the commercial as well as the fiscal system, and whence the funds can conveniently, usefully, and vigorously, be circulated to the remotest extremities.

It is proper to add, further, that the prospect of an interruption of trade, if not a war with France, existed when many of these transfers were ordered, and when it was anticipated that great and unusual expenditures would, at an early day, be authorized on the seaboard; and that, since the prospect of those difficulties has disappeared, and the protraction and expenditures incidental to the Indian war in the South, as well as the indications of trouble on the Mexican frontier, have increased, the new trans-



fers, become proper by new accumulations, have been mostly turned in a different direction, towards the southern quarter of the country, and rendered more easy, by following the course of much of the heavy trade down the Mississippi. For like reasons, the surplus at the South and Southwest, has recently been allowed to augment more, and considerable transfers have been made thither from New York, as well as the West, and several large payments made by warrants on the New York banks in favor of the disbursing officers in the South. Indeed, it is a memorable fact, evinced by long experience in this Department, that the most ready places for public use, and the most economical, if not the safest places of deposite, by the Treasury, of all considerable sums beyond the probable speedy wants in any State, are the largest commercial cities, whether near, or remote. They should at all events be such whence, by drafts and bills of exchange, the large unexpended sums needed at any distance, can, with least difficulty and expense, be placed at the desired points. From Baltimore, Philadelphia, and New York, but especially the latter, the public money can in general be easiest despatched for any purpose whatever, even to the remotest points of the Union; and transfers thence to Maine, Missouri, Tennessee, or Georgia, can often be effected sooner, and generally with less trouble and cost, to any one, than from Ohio even to Michigan, Indiana to Missouri, Illinois to Kentucky, or Tennessee to Mississippi. It also can usually be done without the expense or delay of transporting specie, without any drain of it, as frequently would be required from any other quarter by a sudden call, if most of the surplus was left in a place of a different character—without any probable derangement of the currency by it; and with constant advantage to the numerous distant places to which the new transfers are made, as the balance of trade is generally against them, and funds in New York are preferable and preferred to specie. But this Department, as before shown, has yet transferred to any of the Eastern cities only a very small portion of the whole surplus beyond what will soon be needed for expenditure there, and for other secondary transfers still further East and South. Nor does it propose to permit the public money, either excessively, dangerously, or uselessly, to accumulate in any of those cities, rather than in any other part of the country. On the contrary, the States east of the Alleghanies probably need still further transfers to them in the course of the year; not for a mere equality, which they have not, and which, in fiscal depositories for mere fiscal objects, is and ever has been impracticable, but for convenient disbursement, for safety, and for useful secondary transfers to other necessary points. This Department, whenever authorized by Congress to use the surplus funds for other than fiscal purposes, would, of course, most cheerfully endeavor to apportion or invest them in a manner proper for those other purposes. But the only approximation that can at present be made on fiscal principles or for fiscal purposes, to an equalization of the surplus money among the States, is by means of these very transfers, so far only, however, as is justifiable for safety, or for expenditure at the places to which they are made, or for a favorable position for future transmission and use elsewhere. In fine, to close the explanation on this part of the inquiry, it is another circumstance, intimately connected with these transfers to the East, and especially to New York, that, during the portion of time embraced in the resolution, her banks alone have been required

to transfer elsewhere quite \$5,030,000; or above a million more than all the transfers made from those Western States and the Territory named in the resolution, to all the Eastern cities united; and to pay out, at their counters, for the General Government, quite \$2,796,693 more; that, in the previous year, they were required to transfer to the West, South, and elsewhere, quite \$6,441,500, or nearly double the whole amount lately transferred to all of the Eastern cities from the West, and to pay out beside, quite \$6,351,565 more.

That the extraordinary expenditures, further east, are usually, and with great convenience, to be transferred directly from the banks in New York, or be paid by warrants preferred to be taken on New York; that most of the great expenditures concentrated in the District of Columbia, being from three to five millions a year, are, as was the practice under the United States Bank, to be discharged by transfers chiefly from the great mercantile capital of the Union; that most of the large expenditures in Virginia, and especially at Norfolk, are to be brought thence; and those in North Carolina, Georgia, and in some years even in Tennessee, Kentucky, Missouri, Ohio, and Michigan, are to be defrayed in part by transfers from or warrants on the same city. Access cannot readily be had to data for a series of years; but, in the year ending the 30th of June, 1831, the transfers of public money from New York alone, exceeded eight millions of dollars; and the half year prior to December 14, 1829, exceeded that rate, and at both periods, equalled about two-thirds of all the transfers of public money in the United States. It is further material to notice that, though large amounts are collected there for duties, yet the deposit banks in New York had not on hand, the 18th ultimo, after all the transfers to them, as much public money as has been collected there, latterly, in the course of a single year, nor enough to meet the probable public demands on them for transfers and payments, during the ensuing nine months, for numerous and distant purposes, at home as well as abroad.

2. The next inquiry is, what are the banks "from and to which such transfers have been made?"

They are as follows, viz:

From the Commercial Bank at Cincinnati, and its Agency at St. Louis;  
Clinton Bank, at Columbus;

Bank of Michigan, and the Farmers and Mechanics' Bank,  
at Detroit:

And to the Union and Franklin Banks, at Baltimore;

Girard Bank, and Moyamensing Bank, at Philadelphia;

Bank of America,

Manhattan Bank, and } at New York.

Mechanics' Bank,

The sums transferred to each of these banks, with their collections, after deducting the transfers and payments from them, constituted, on the 1st of April, the amounts to the credit of the Treasury recently communicated to the Senate. Those amounts, though large in a few of them, are believed to be all perfectly safe, considering the capital of the banks in which they are deposited, the excellent credit of all of them as to available means, and the good collateral security they have all furnished to the Department. Compared with the banks from which the transfers

under consideration have been made, all the sums on hand the 18th ultimo, were, to all their capital, as heretofore explained, nearly half less than what remained in those banks and branches which have made these transfers.

The number of selected banks could be increased when deemed necessary for fiscal objects there or elsewhere. But it manifestly should not be done for any other objects, while Congress has under consideration early legislation on the whole subject of the deposite banks, and of the surplus revenue; and while it has not granted, though earnestly invoked to regulate the subject, any power to the Treasury Department over the public money, except the safe keeping, and the mere collection and distribution of it for fiscal objects. The trial was formerly made of placing the public money, for supposed fiscal convenience, in one or two hundred banks, that would receive it on what appeared to be more eligible terms, and would accept State-bank notes more readily than the United States Bank; but being scattered over the whole country, their real condition could be less known and guarded; their skill and experience in banking matters were often found to be deficient; and they were sometimes tempted to over-issues and speculation, by the possession of large sums of public money, which proved, from various untoward causes, so embarrassing and ruinous to both the banks and the Treasury, that the Department has felt averse to the renewal of such an experiment. Especially has it felt averse, when the improvements in the mails, railroads, and steamboats, exchanges, and business generally, render much fewer fiscal agents now necessary for mere fiscal purposes; when payments and transfers have become much more easy, and when again scattering and endangering the public money in that way, after the former trial proved so unfortunate, might justly expose the Department to charges of imprudence, if not to imputations of attempts to use the public funds merely to advance personal and political influence, or to accomplish other objects, not connected with correct fiscal considerations. Though willing and anxious to leave in the West, South, East, or North, as much public money as can, with the accruing revenue, be probably kept in safety, and used within a reasonable time for public purposes, yet it is apparent that, without the transfers already made, or the selection of more banks than were needed for the Treasury, in accomplishing its legitimate objects, the present depositories in Michigan would, with her small population and expenditure, and with their capital at only \$594,000, have had on hand about \$3,472,270 of public money, or near six times the amount of her capital, and that a single bank in Ohio, with its agency in Missouri, would, with a capital of only \$1,000,000, have been liable to the Treasury, for funds received from various States, to the amount of nearly \$5,000,000. It is not necessary to multiply such strong illustrations of the improvidence which would have marked an opposite course to that already pursued. Indeed, the explanations given seem proper, to satisfy the Senate, quite as much in regard to the Eastern cities, as to those parts of the West, both of which are named in the resolution; and to show that, though not yet with so large a portion of the public funds as the West, compared with the capital of their deposite banks, the expenditures to be made and the secondary transfers and warrants to be met, yet as much has been done for those Eastern cities and their

States, and is still doing for them, in these respects, as the powers of this Department, for mere fiscal purposes, will permit, without injustice to other sections, without deranging the currency, or making the transfers more rapid than the wants of the Treasury and the economy of accomplishing them may render judicious.

From these, and some other considerations, which it might be too tedious for me to enumerate, this Department has concluded (whether wisely or not others must decide) that, until Congress shall act on the subject, it will continue its efforts to collect the present vast revenue of the country in such money as to produce least difficulty and inconvenience to those paying it, consistent with the laws of Congress and with the constitution; to keep it safely, by transfer and otherwise, at the most convenient points, for immediate and for any future use which Congress may choose to prescribe, and to have it promptly paid to the public creditors, at places near their business or residence, in specie alone, if desired, or in bank notes not under \$10, and after March next not under \$20, and always, as lately directed by Congress, such as are convertible into specie on the spot, at par, and without delay.

Since the United States Bank ceased to be the chief public depository, a different and very delicate, yet proper responsibility has been exclusively devolved on this Department. It is that of not only exercising increased watchfulness for the safety of the institutions where the public money is placed, but the duty of looking forward to the probable receipts and expenditures of the Government at certain great points, and seasonably providing for the proper transfers to or from them, to preserve the public credit, and to promote the prompt and vigorous execution of the public works, and the faithful accomplishment of the views of Congress in relation to all the pecuniary matters of the Government. Not a little labor and care have become necessary, during the recent large accumulations, to effect this in such a manner as not to derange the currency, nor to injure the credit of our own fiscal agents, nor impose needless inconvenience and expense on these institutions, which, by contract, have made, and are to make, all these necessary transfers free of risk and expense to the Treasury. But it is some gratification to reflect that thus far, under the new system, no such consequences have yet occurred, and that the rate of exchanges has, as appears by our official semi-monthly reports, been generally kept much lower than formerly, and combining all parts, that the whole specie in circulation, and in banks, has much increased, and the whole country continued prosperous beyond precedent. Within even the last ninety days before the first of April, such has been the real abundance of capital and ease in the money market, among those who have not overtraded, that, besides the millions paid for duties, and before advanced for public lands, near six millions more of moneyed or active capital have been voluntarily parted with to the Government for wild lands, or capital chiefly inactive, and nearly double as much more has been thus parted with during the preceding six months. Many predict, contrary to my own anticipations, that the ease in the market, and abundance of money throughout the country generally, will continue so great and unusual, that many more millions of active capital, ranging from 20 to 30 millions, will be parted with in a similar way in the course of the present year. If so, it must continue to render necessary the trans-

fers of whatever shall unsafely or needlessly accumulate at inconvenient and remote points, and in some cases, perhaps, to increase carefully and to an extent necessary for the safety of the public funds, the number of the public depositories.

3. The last inquiry is, whether any more transfers are now ordered from the Western States mentioned in the resolution, to the Eastern cities.

In reply to that, I would observe that a few in that direction are still outstanding, but most of which, exceeding two-thirds of the whole, are from Michigan, and were not to take effect, when directed, for a considerable period in future. This was done in order that the operation might be more easy and convenient to all concerned, and the direction of the transfers, before they were carried into effect, be changed to some more convenient or necessary point, or the transfers be dispensed with altogether, if Congress should, in the mean time, adopt any measure as to the revenue or appropriations and expenditures rendering a change proper. Such would be any disposition of the surplus which should require more of it at once than was heretofore anticipated to be expended, invested, or distributed where it now is; or should the accruing revenue from lands soon fall off so greatly as to render the probable future accumulation from that source in the West less excessive and insecure. But otherwise, still more transfers must, in due time, from a sense of official duty, be made to take effect, both towards the East and the South, unless the conservative discretion vested in this Department over the safe keeping, as well as collection and disbursement of the public money, shall, as earnestly requested, be further and differently regulated by Congress.

In the conclusion of my explanations on all the topics of the resolution of the Senate, it may be proper to add, that the views expressed by the Department concerning the kind of money receivable by law in payment for the public lands, as well as concerning the extent of certain transfers, with the necessity and utility of them at various times, and to various quarters, in the due administration of our financial system, have been illustrated and sustained by frequent reports of committees of Congress, and of many of my predecessors in office.

In addition to the suggestions already made on these points, I do not feel justified in extending the length of this communication by any further reference, except to the reports of the committee of the House of Representatives on the subject of the bank inquiry, in 1832, where, alluding to the subject of transfers, as highly important and necessary, and to that of the committee on the removal of the public deposits in 1834, and especially the documents annexed; as well as a report of a committee in 1824, where, relating to the propriety of frequent transfers by the Department, and to the kind of money by law, receivable for public lands, being only specie and United States Bank notes.

Among those documents, it appears distinctly stated, what was suggested in my previous report as probable, that Mr. Crawford, in the manner described in his letter of February 24, 1823, issued his circular in 1817, by an understanding with the United States Bank; and actually agreed "that the bank should have the selection, not only of the State banks in which the public money should be deposited in places where it had established no office, but of those whose notes should be received on account of the revenue."



That in 1818, the United States Bank being incommoded by receiving even any such State notes, and relying on its supposed legal rights, declared "its determination to receive from the land offices *nothing but its own notes and the current coin of the Union*, except on a special deposit."

That therefore the system of special deposits of State-bank notes, and an increase of State banks as deposits to receive them, was partially and temporarily adopted, and soon terminated in many of the failures and embarrassments heretofore mentioned in my report on the other branch of the resolution.

And, finally, that the committee of Congress, in May, 1824, reported that these arrangements had been correctly stated by Mr. Crawford, and that the committee believed the bank was not bound "to receive in deposit, as cash, the bills of any banks whatever, but its own, although they may come within the purview of the resolution of 1816."

Respectfully,

LEVI WOODBURY,  
*Secretary of the Treasury.*

HON. MARTIN VAN BUREN,  
*President of the Senate.*

